Pension cuts in EU Member States

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Research on pension cuts in public pensions and employer sponsored private pensions

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Executive summary

Scope of the research and research method

- Focus on pension cuts, which are defined as (1) a decrease in retirement benefits currently paid to retired citizens and (2) a decrease in accumulated pension rights related to past years of service.
- Research also includes adjustments of pensions to inflation.
- Relevant period is 2013 until 2020.
- Research includes public pensions and employer sponsored private pensions in all Member States and the U.K.
- Differences in the design of pension systems of Member States are included in the research
- Research performed by Bas Dieleman (VU Amsterdam University & Loyens & Loeff).
- Input from professors, researchers and lawyers from all EU Member States.

Most important research results

Member State	Large-scale cuts public pensions	Public pensions fully adjusted to inflation or wages increase	Supreme court decisions on pension cuts or no inflation adjustment	Design pension system allows pension cuts	Multiple cuts in employer sponsored private pensions	Pension protection employer sponsored private pensions
Austria	No	Yes	n/a	No	No	No
Belgium	No	Yes	n/a	Yes	No	Yes
Bulgaria	No	Yes	n/a	No	No	No
Czech Republic	No	Yes	n/a	No	No	No
Croatia	No	Yes	n/a	No	No	No
Cyprus	No	No	n/a	No	No	No
Denmark	No	Yes	n/a	Yes	Yes	No
Estonia	No	Yes	n/a	No	No	No
Finland	No	No	n/a	No	No	Yes
France	No	No	n/a	No	No	No
Germany	No	Yes	n/a	Yes	No	Yes
Greece	Yes	No	Yes	Yes	No	No
Hungary	No	Yes	n/a	Yes	No	No
Ireland	No	No	n/a	Yes	Yes	Yes
Italy	No	Yes	Yes	No	No	Yes
Latvia	No	Yes	n/a	No	No	Yes
Lithuania	No	No	n/a	No	No	Yes
Luxembourg	No	Yes	n/a	No	No	No
Malta	No	Yes	n/a	Yes	No	No
Netherlands	No	Yes	n/a	Yes	Yes	No
Poland	No	Yes	Yes	No	No	No
Portugal	No	No	Yes	Yes	No	No
Romania	No	Yes	n/a	No	No	No

Member State	Large-scale cuts public pensions	Public pensions fully adjusted to inflation or wages increase	Supreme court decisions on pension cuts or no inflation adjustment	Design pension system allows pension cuts	Multiple cuts in employer sponsored private pensions	Pension protection employer sponsored private pensions
Spain	No	Yes	n/a	No	No	No
Slovakia	No	Yes	n/a	Yes	No	Yes
Slovenia	No	Yes	n/a	No	No	Yes
Sweden	No	No	n/a	No	No	No
United Kingdom	No	Yes	n/a	Yes	Yes	Yes

Main conclusions

- Although many Member States did reform their pension system, for example in order to get EU/IMF funding, there have been no substantial cuts in public pensions in any Member State, besides Greece.
- In seven Member States, public pensions have not been fully adjusted to inflation or wages.
- Supreme court cases in various Member States because of pension cuts or lack of adjustments to inflation or wage increases.
- In most Member States, pension cuts on public pensions and/or employer sponsored private pensions are not possible by law or because of the design of the pension system.
- In just four Member States, pension cuts on employer sponsored private pensions have occurred more than once a year.
- Ten Member States have a protection system for employer sponsored private pensions in case of bankruptcy of financial institutions which administer the pensions. If a Member State is willing to implement such a protection system, pension cuts could be avoided.
- Although pension systems of Member States are vastly different, they have one thing in common; there are no large-scale pension cuts, unless there is no possibility to avoid this. In case Member States consider pension cuts, e.g. the Netherlands, this triggers the question whether any short-term and large-scale pension cuts can be justified.

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1. Introduction

1.1. Research motive

At this moment, there is a vivid public debate on pension cuts in the Netherlands. The debate focusses on pension cuts in employer sponsored private pensions. One the one hand, the cover ratio (assets vs. liabilities) of many pension funds is below a certain legal minimum, which in principle implies pension cuts according to the Dutch Pensions Act. On the other hand, pension cuts are difficult to explain to citizens, especially since the average return on investments on Dutch pension funds was 17,6% in 2019.[2] This triggers the question how other Member States have dealt with pension cuts recently.

1.2. Scope of the research

For the purpose of this research, pension cuts are defined as a decrease in retirement benefits currently paid to retired citizens and (2) a decrease in accumulated pension rights related to past years of service. This paper focusses on such pension cuts in public pensions and employer sponsored private pensions in all Member States and the U.K. (hereafter the Member States) Similar to pension cuts is the adjustment of pensions to inflation or wage increase. As a result, such adjustments are included in the research.

The definition of pension cuts in this paper among others implies that a decrease of retirement benefits of defined contribution pension plans which are the result of low returns on investment, are not included in the definition of pension cuts. Legislation which aims to reduce the accumulation of pension in future years is included in the research to a certain extent, but such legislation is not viewed as a pension cut for the purposes of this research.

The research period is the years 2013 until 2020. This has two reasons. Firstly, the aim of the research is to study the latest developments on pension cuts. Secondly, the European Union has published a paper of pension cuts and similar pension reforms in 2016. This research focusses on the years prior to 2015.[3]

The design of the pension systems of the Member States is vastly different. In order make a useful compare of pension cuts in the Member States and in order to determine the importance of pension cuts Member States, this research includes a high level compare of the design of the pension system of each Member State.

1.3. Research methods

The research is based on input from professors, researchers and lawyers from all EU Member States (hereafter the Representatives).

The research included four steps. Firstly, there have been discussions on pension cuts by way of (video) calls with all Representatives. Secondly, the information which has been obtained during the calls as well as information of the pension systems of the Member States, was included in a data set. Thirdly, the Representatives have verified and, if necessary, adjusted the data set. Fourthly, the data set has been converted to this paper.

This paper is set up as follows. Paragraph 2 contains a high level compare of pension systems of the Member States. Paragraph 3 describes the pension cuts in public pensions. Paragraph 4 focusses on pension cuts in employer sponsored private pensions. Paragraph 5 contains information regarding pension reforms.

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[2] Dutch Financial Times, 23 January 2020, https://fd.nl/economie-politiek/1331751/pensioenfondsen-met-18-rendement-nog-niet-uit-problemen.

[3] EC, Pension Reforms in the EU since the early 2000's, discussion paper 042, December 2016.

2. High level compare of pension systems of the Member States

2.1 Type of public pension

To get started, the table in this paragraph compares the design of the public pension of the Member States. It shows that 26 Member States have an earnings-related public pension or combination of a basic public pension and an earnings-related public pension. The exceptions are Denmark which also has a means tested public pension (less pension for high income/wealth groups) and the Netherlands, which has a basic public pension only. A basic public pension is not earnings related but for example related to the years of residence.

According to below stated table, there are six Member States which offer a basic public pension; Denmark, Greece, Ireland, Malta, the Netherlands and the U.K. This is important to note because, as is shown in paragraph 2.2, four of them are in the top-four of the relative size of funded or employer sponsored private pensions and a fifth, which is Malta, has introduced its employer sponsored pension system recently.

Member State	**Type of public pension[4]**
Austria	Earnings-related
Belgium	Earnings-related
Bulgaria	Earnings-related
Czech Republic	Earnings-related
Croatia	Earnings-related
Cyprus	Earnings-related
Denmark	Earnings-related and means tested
Estonia	Earnings-related
Finland	Earnings-related
France	Earnings-related
Germany	Earnings-related
Greece	Basic and earnings-related
Hungary	Earnings-related
Ireland	Basic and earnings-related
Italy	Earnings-related
Latvia	Earnings-related
Lithuania	Earnings- related
Luxembourg	Earnings-related
Malta	Basic and earnings-related
Netherlands	Basic
Poland	Earnings-related
Portugal	Earnings-related
Romania	Earnings-related
Spain	Earnings-related
Slovakia	Earnings-related
Slovenia	Earnings-related
Sweden	Earnings-related
United Kingdom	Basic and earnings-related

[4] EC, The 2015 Aging Report, Table II.1.2.

2.2. Importance and main features of the private pension sector

In this paragraph, the private pension sector of the Member States is compared. The table in this paragraph includes four important features of private pensions. The first feature is the amount of assets in funded or private pension plans as a % of the GDP. Funded pensions are, contrary to pay-as-you-go pensions, accumulated pension capital of employees which is managed by a public institution. Private pensions are accumulated pension capital which is administered by an institution other than the general government. The second feature is the % of the population between age 15 and 64 which is participating in a funded or an employer sponsored private pension. This does not include personal private pensions. The third feature indicates whether employer sponsored private pensions are mainly defined benefit plans or (mainly) defined contribution plans. This is viewed from an asset perspective, which is important because some in Member States defined contributions are nowadays common, but most of the assets are still in closed defined benefit plans. The fourth feature is the % of the population between age 15 and 64 which is participating in a personal private pension. Personal private pensions are in principle agreements between employees and an institution which administers the pension. It should be noted that in various Member States, it is possible that employers pay pension contributions into the personal private pension.

The combination of assets in funded or private pensions and the % of the population participating in funded or private pensions, does provide a useful indication for this research. If the amount of such assets and the participation in such pensions is limited, it is fair to assume that if there is a public discussion on pension cuts, this discussion is focused on public pensions. This is related to the fact that in those Member States, pension cuts in public pensions immediately contribute to lower government spending. Furthermore, in case the employer sponsored private pensions are mainly defined benefit plans, it is fair to assume that there will be discussions on pension cuts in employer sponsored private pensions. This is related to the fact that a decrease of retirement benefits because of low returns in investments are not considered a pension cut for the purpose of this research. In paragraph 3, the aforementioned assumptions are confirmed

Member State	Assets in funded or private pension plans as a % of GDP[5]	% of population participating in funded or employer sponsored private pensions[6]	From an asset perspective, employer sponsored private pensions are mainly	% of working population participating in personal private pension plans[7]
Austria	5,50%	14,40%	DC	22,20%
Belgium	10,90%	50,60%	DC	n/a
Bulgaria	<20%*	<5%*	DC	<20%*
Czech Republic	9,20%	n/a	DC	64,10%
Croatia	<40%*	<80%*	DC	<15%*
Cyprus	n/a	n/a	DC	n/a
Denmark	198,60%	85,20%	DC	18,10%
Estonia	16,90%	85,80%	DC	11,20%
Finland	57,00%	93,00%	DB	18,00%
France	10,40%	25,20%	DC	7,80%
Germany	6,90%	57,00%	DB	33,80%
Greece	0,70%	<5%	DC	n/a

[5] OECD, Pensions at a Glance 2019, table 9.2. In case of *, data derived from OECD, pension markets in focus 2019.
[6] OECD, Pensions at a Glance 2019, table 9.1. In case of *, data derived from OECD, pension markets in focus 2019.
[7] OECD, Pensions at a Glance 2019, table 9.1. In case of *, data derived from OECD, pension markets in focus 2019.

Member State	Assets in funded or private pension plans as a % of GDP	% of population participating in funded or employer sponsored private pensions	From an asset perspective, employer sponsored private pensions are	% of working population participating in personal private pension plans
Ireland	33,90%	38,30%	DB	12,60%
Latvia	13,80%	100,00%	DC	19,00%
Lithuania	7,20%	n/a	DC	75,50%
Luxembourg	2,70%	4,90%	DC	n/a
Malta	41,3%*	<5%*	DC	<10%*
Netherlands	173,30%	88,00%	DB	28,30%
Poland	8,50%	1,80%	DC	66,40%
Portugal	19,30%	3,80%	DC	17,20%
Romania	<10%*	<60%*	DC	<5%*
Spain	12,50%	n/a	DC	n/a
Slovakia	11,70%	n/a	DC	39,70%
Slovenia	6,80%	n/a	DC	40,10%
Sweden	88,00%	100,00%	DC	24,20%
United Kingdom	104,50%	46%	DB	5,00%

3. Public pensions

3.1. Pension cuts in public pensions in the Member States

The table in this paragraph shows if Member States did cut public pensions during the last seven years. In case there have been pension cuts, the main features of these cuts are also included in the table. The input for this table has been provides by the Representatives. As mentioned in paragraph 1.2, pension cuts are in this research defined as (1) a decrease in retirement benefits currently paid to retired citizens and (2) a decrease in accumulated pension rights related to past years of service.

It can be concluded that there have been no large-scale cuts in public pensions in any Member State, except for Greece. Greek citizens have endured multiple pension cuts. In addition, there are four Member States which did have some cuts in public pensions; Denmark, Finland, Italy and Portugal. Furthermore, one could argue that there have been pension cuts in Poland due to the 2014 pension reform.

Member State	Did pension cuts occur during the last seven years?
Austria	No
Belgium	No
Bulgaria	No
Czech Republic	No
Croatia	No
Cyprus	No
Denmark	Yes, but no pension cuts for retired citizens.
Estonia	No
Finland	Not in general, but the government did cut the basic part of the public pension in 2017 by 0,85%.
France	No
Germany	No
Greece	Repeated pension cuts since 2010, including income progressive cuts of the pension of pensions in payment. The 2016 pension reform recalibrates all pension entitlements using new rules, resulting in substantially lower pensions for newly retired citizens.
Hungary	No
Ireland	No
Italy	Not in general, but progressive pension cuts in case annual retirement benefits exceed EUR 100.000 through law no. 145 dated 30 December 2018. Temporary measurement from 1 January 2019 until 31 December 2023.
Latvia	No
Lithuania	No
Luxembourg	No
Malta	No
Netherlands	No
Poland	No. However, a mandatory transfer of 51,5% of all private pensions to public pensions in 2014. Unless written declaration in 2014 no future participation in private pension but in state pension instead, remaining 48,5% remains in private pensions. Private pensions were temporary restricted to invest in state bonds.

Member State	Did pension cuts occur the last seven years?
Portugal	No. However, a solidarity tax exclusively on pensions was introduced after the financial crisis (State Budget Law 2011). Tax rates progressive and originally with rates between 3,5 and 10%. This tax was considered a pension cut by many.
Romania	No
Spain	No
Slovakia	No
Slovenia	No
Sweden	No
United Kingdom	No

3.2. Adjustments of public pensions to inflation or wage increases

The table in this paragraph shows if Member States did fully adjust pensions to inflation or wage increases. In case a Member State did not fully adjust pensions to inflation or wage increases, the table elaborates on the lack of such adjustments. The input of this table has been provided by the Representatives.

There are seven Member States which did not fully adjust public pensions to inflation or wage increases the last seven years; Cyprus, Finland, France, Greece, Ireland, Lithuania, Portugal.

Member State	Full adjustments public pension to inflation or wage increases
Austria	Yes. However, Austria has degressive income related inflation adjustments.
Belgium	Yes. However, inflation adjustments have become less favorable approximately ten years ago.
Bulgaria	Yearly adjustments of the pensions, sometimes quite generous, e.g. 6.7% increase as per 1 July 2020, which was related to 2019.
Czech Republic	Full adjustments to inflation.
Croatia	As from 2019, yearly adjustment of public pension based on 70/30 wages/inflation or vice versa (most favorable, never downward allowed), but this did not result is less or a lack of adjustments to inflation.
Cyprus	As from 2013, introduction of adjustments to inflation based on growth of GDP. This is deemed to be less generous than before 2013.
Denmark	Full adjustments to inflation.
Estonia	Full adjustments to inflation.
Finland	Both the basic pension as well as the earnings-related pensions were increased by 0,4% in 2015 only.
France	More or less full adjustments to inflation, except for 2018
Germany	Full adjustments. Adjustments to inflation linked to salary increases and adjusted by other factors.
Greece	Index frozen until 2022.
Hungary	Yes.
Ireland	No. Adjustments of the public pension have been less than the inflation. Previous government has proposed to link inflation with price and wage increases (not implemented yet).
Italy	No lack of inflation adjustments. However, adjustments to inflation are degressive; they become lower if the amount of pension payable becomes higher.
Latvia	Yes, full adjustments to inflation.
Lithuania	Ad hoc adjustments to inflation until 2016. As from 2017, indexed based increases in sum of wages.
Luxembourg	Yes. The annual statutory indexation for next couple years has been set, regardless the amount of the actual future inflation. If the economic situation does not allow to respect this increase, the law will have to be amended. The indexation linked to inflation which concerns salaries and pensions occurs once a certain level of inflation has been achieved.

Member State	Full adjustments public pension to inflation or wage increases
Malta	Full adjustments to inflation.
Netherlands	Full adjustments to inflation.
Poland	Yes
Portugal	No. The annual adjustment of pensions is based on (1) real growth of GDP and (2) average variation of the last 12 months of the CPI without housing. This has been used to adjust pensions of small value (up to two minimum wages). To pensions of higher value, the adjustment to inflation is according to regressive rates and higher pensions had no increase.
Romania	Yes
Spain	Yes
Slovakia	Yes. Public pensions are adjusted each year based on specific calculation mechanism which takes into account the amount of average wage.
Slovenia	Full adjustments, but these adjustments are based on economic factors like the growth of the GDP.
Sweden	There was a refusal to add index to the benefits a certain year when a change in the income tax regime rendered a very favorable outcome for those retired.
United Kingdom	Yes. However, a decrease in adjustments to inflation is expected as from next year.

3.3. Supreme court cases regarding cuts in public pensions

The table in this paragraph shows if there have been supreme court cases on cuts in public pensions. If there are / have been such cases, the table provides for the main features of these cases. The information in the table is provided by the Representatives.

In three Member States, there have been supreme court cases regarding cuts in public pensions; Greece, Portugal and Poland. In addition, there is a supreme court case on cuts in public pensions pending in Italy.

Member State	Supreme court cases regarding cuts in public pensions
Austria	n/a
Belgium	n/a
Bulgaria	n/a
Czech Republic	n/a
Croatia	n/a
Cyprus	No. Focus of citizens was on loss of deposits at banks.
Denmark	n/a
Estonia	n/a
Finland	n/a
France	n/a
Germany	n/a
Greece	Pension cuts until 2012 constitutional, pension cuts between 2013 and 2015 unconstitutional, government will pay out soon. 2016 reforms with pension cuts constitutional. Money to cover part of the unconstitutional cuts to be paid in 2020.
Hungary	n/a
Ireland	n/a
Italy	Law no. 145 dated 30 December 2018 is currently examined by the Italian constitutional court.
Latvia	n/a
Lithuania	n/a
Luxembourg	n/a
Malta	n/a
Netherlands	n/a
Poland	Many citizens believed the 2014 pension reform was against the constitution. Nonetheless, the constitutional tribunal approved the 2014 reform
Portugal	Supreme court concluded that solidarity tax on public pensions was acceptable, considering its transitory nature and the fact that it could not be considered as a tax as the value of the solidarity contribution was due to the social security.
Romania	n/a
Spain	n/a
Slovakia	n/a
Slovenia	n/a
Sweden	n/a
United Kingdom	n/a

3.4. Applicable legislation on cuts in public pensions

The table in this paragraph includes the applicable legislation on cuts in public pensions or adjustments of public pensions to inflation or wage increases. The information in the table is provided by the Representatives.

In most Member States, there is no specific legislation on cuts in public pension. Despite the absence of such legislation, potential cuts in public pensions are not allowed in most Member States, unless the relevant legislation is changes. Some Member States, for example Bulgaria, Cyprus and Estonia, have detailed legislation on adjustments to inflation.

Member State	Applicable legislation on cuts in public pensions
Austria	n/a
Belgium	Article 23 of the Belgian constitution and article 1 of additional protocol EVRM prohibit cuts.
Bulgaria	Changes in the insurance code required in order to cut public pensions. Recently, the Insurance code has changed in order to introduce another mechanism for adjustments to inflation.
Czech Republic	Change in the relevant legislation regarding public pensions required in order to cut pensions.
Croatia	n/a
Cyprus	As from 2013, introduction of adjustments to inflation based on growth of GDP
Denmark	n/a
Estonia	Detailed legislation on adjustments to inflation
Finland	n/a
France	n/a
Germany	Less adjustments to inflation is legally possible. but a pension cut is not possible.
Greece	Various laws introduced as a result in the context of three successive bailouts and supervised by the EU.
Hungary	n/a
Ireland	n/a
Italy	it is legally not possible that acquired rights are affected
Latvia	n/a
Lithuania	n/a
Luxembourg	It is legally possible to adjust inflation. Pension cuts are against the acquired rights principle and no direct legal basis for such cuts exists
Malta	Pension cuts are possible form a legal point of view.
Netherlands	n/a
Poland	None, despite the 2014 pension reform.
Portugal	There is no legislation regarding public pension cuts, after they have been calculated and granted. However, legislation provides for reductions in the pension value, when they are granted for the first time, according to a sustainability factor.

Member State	Applicable legislation on cuts in public pensions
Romania	Authorities could adjust legislation on pension rights, subject to legislation protecting basic rights and entitlements of citizens, especially under constitutional law (the right to pension being constitutionally guaranteed). Therefore, cutting pensions is a complex process, that would not pass legal requirements easily.
Spain	Law does not provide for possibility of pension cuts, probably not even for less inflation
Slovakia	Pension cuts are not possible unless the law is changed.
Slovenia	n/a
Sweden	n/a
United Kingdom	n/a

4. Employer sponsored private pensions

4.1. Pension cuts in employer sponsored private pensions during the past seven years.

The paragraph focusses on the pension cuts in employer sponsored private pensions during the past seven years. The table in this paragraph states if there have been cuts in employer sponsored private pensions in the Member States. If such pension cuts did occur, the table elaborates on main features and frequency of the pension cuts concerning. As mentioned in paragraph 1.2, pension cuts are in this research defined as (1) a decrease in retirement benefits currently paid to retired citizens and (2) a decrease in accumulated pension rights related to past years of service. The information in the table is provided by the Representatives.

According to the table in this paragraph, there are four Member States in which there have been pension cuts in employer sponsored private pensions more than once a year; Denmark, Ireland, the Netherlands and the United Kingdom.

Member State	Pension cuts in employer sponsored private pensions
Austria	Yes, but less than once a year.
Belgium	No
Bulgaria	No
Czech Republic	No
Croatia	No
Cyprus	No. However, the 2013 legislation on adjustments to inflation of the state pension, also applies for the DB plans of the public-sector employees
Denmark	Yes, but no pension cuts for retired employees.
Estonia	No
Finland	No
France	Yes, but less than once a year.
Germany	Yes, but probably once a year only. However, 31 pension insurance funds (Pensionskassen) are currently under increased supervision and may have to cut pensions because of the low interest rates, employers will become liable for difference between reduced benefits and original benefits
Greece	No
Hungary	No. However, because of the 2010 pension reform, the pension rights of 97% of the employees have been transferred to the government. This transfer should result in a corresponding increase of the public pension.
Ireland	Yes. Many cuts in defined benefit plans between 2010 and 2013, but very few since 2016.
Italy	No
Latvia	No
Lithuania	No
Luxembourg	No
Malta	No
Netherlands	Yes. A limited number of pension funds did have to cut its employer sponsored private pensions. Furthermore, sector wide lack of adjustments to inflation as from 2009.
Poland	No

Member State	Pension cuts in employer sponsored private pensions
Portugal	No. However, the solidarity tax also applies to employer sponsored private pensions.
Romania	No
Spain	No
Slovakia	No
Slovenia	No. However, the tax treatment of retirement benefits has become less favorable throughout the years.
Sweden	No. What did happen was a refusal to fully adjust employer sponsored private pensions to inflation.
United Kingdom	Yes, but in case of bankruptcy of pension funds only. Cuts are max. 10%, or more in the case of those with large pensions, in case of members who are not retired yet.

4.2. Probability of cuts in employer sponsored private pensions; design of pension systems and applicable legislation

As concluded in paragraph 4.1, cuts in employer sponsored private pensions do not occur more than once a year in 24 Member States. This paragraph aims to gain better understanding of the probability that cuts in employer sponsored private pensions can occur. The focus is on the design of the pension system of the Member States and the specific legislation on cut in employer sponsored private pensions in the Member States, other than the capital requirements of Solvency II and the IROP Directive. The information in the table is provided by the Representatives.

It turns out that there are various reasons for the limited number of Member States which have endured in pension cuts in employer sponsored private pensions. In various Member States, the employer sponsored private pension sector is small compared to the public pension. This sometimes implies that there is no urgency to develop legislation on cuts in employer sponsored private pensions. In other Member States, most employer sponsored private pensions are defined contribution plans and/or have the possibility to take the pension capital as a lump-sum upon reaching the retirement age. As a result, the probability that pension cuts occur, is limited. In Member States with a lot of defined benefit pensions from an asset perspective, which has been investigated in paragraph 2.2., cuts in employer sponsored private pensions can and do occur.

Member State	**Probability of cuts in employer sponsored private pensions - design pension systems and applicable legislation**
Austria	Employer sponsored private pension sector is small compared to the public pension. No specific legislation.
Belgium	If a certain difference between asset and liabilities, then the pension authority FSMA will intervene based on a specifically designed procedure. Furthermore, capital requirements of Solvency II apply. As a result, it is possible that pensions have to be cut. However, since employees bear longevity risk for employer sponsored private pensions and since you get your whole pension capital upon retirement, cuts are very unlikely.
Bulgaria	Mandatory private pensions are and administered by pension funds. Due to a change in insurance code in 2015, one can choose between public pension and mandatory private pension. There is guarantee mechanism for minimum investment return for the mandatory private pensions. The guarantee is related to the average investment return for the market
Czech Republic	No specific legislation. Private pension sector is small compared to public pension.
Croatia	Voluntary private pensions are funded DC schemes based on individual accounts within „closed-end funds" sponsored by employers and administered by pension companies. All members who have reached the age of 55 are allowed to take out pension as follows: 1) partial one-off lump-sum payment to max 30%, or 2) temporary pension annuities with a minimum payment period of 5 years (retirement age is 55), or 3) life-time annuities (retirement age is 60). Most people make use of partial one-off lump-sum payment and temporary annuities. As a result, no cuts on private pensions.

Member State	Probability of cuts in employer sponsored private pensions - design pension systems and applicable legislation
Cyprus	Private pension schemes mainly for government employees and bank employees, which are closed DB plans. DC plans for all other employees and until 2020, it was not even possible to pay the capital of DC as an annuity.
Denmark	Pension cuts are possible at occupational DC plans with the consent of employees or employee representatives. In Denmark, retirement benefits payable from DC plans can fluctuance yearly based in among others return on investment. No legal requirements in addition to the capital requirements of solvency II and the IORP Directive
Estonia	Employer sponsored private pensions are publicly funded. As a result, no pension cuts related to these plans
Finland	Employer sponsored private pension sector is small compared to the public pension. No specific legislation
France	No specific legislation. The Agirc-Arrco scheme, which is mandatory for all private and agricultural sector employees, is a DC plan.
Germany	In case of book reserves, pension cuts are allowed if (1) costs >50% than expected or (2) pension plus public pension is more than intended. In case of regulated pension insurance funds, articles of association provide for possibility to reduce ongoing pension, also pension funds can reduce benefits if sponsor company does not compensate shortfalls. Where pensions are funded via a third party that can no longer pay the benefits originally promised, the employer must make good for the losses unless on the level of the employer reasons entitling to a pension cut are available as well.
Greece	No specific legislation. Private pension sector is small compared to public pension.
Hungary	Approximately 3% of the employees have chosen to not transfer their employer sponsored pension to the government as a result of the 2010 pension reform. It cannot be excluded that these remaining private pensions, are subject to pension cuts in the future.
Ireland	Section 50 allows DB scheme trustees apply to Irish Pensions Authority for an Order directing the trustees to reduce accrued DB benefits. The objective is to make the DB scheme more sustainable. Pension cuts of DC plans do not happen in practice, because one buys an annuity with an insurance company.
Italy	Pension cuts not an issue because private pensions are DC plans and the value of private pensions is small compared to the public pension. Measurements by pension authorities can be taken in case of insolvency of the pension administrator, but this is not defined exactly in the law.
Latvia	Second level pensions are mandatory DC plans managed by private companies. From a legal point of view, pension cuts at second level pensions are probably possible if the law is adjusted. However, there have been no public discussions on pension cuts. The latter is probably related due to the fact the average amount of annual retirement benefits is limited.

Member State	**Probability of cuts in employer sponsored private pensions - design pension systems and applicable legislation**
Lithuania	Private plans are DC plans and generally administered by institutions of banks. Contributions from employee and state (not from the employer) Most people take the capital as a lumps sum on retirement. However, in case the pension capital > EUR 10.000, than obligation to buy annuity at social insurance fund.
Luxembourg	The probability is low. If the solvability margin of pension funds is below a certain limit, pension funds lose their accreditation to operate as a pension fund.
Malta	No specific legislation. Legislation not that much detailed because the private pension sector is still immature in size and age. As a result, employees do not withdraw private pensions yet.
Netherlands	If the cover ratio (assets vs. liabilities) of a pension fund is <105% for five straight years and there are not other measurements possible to improve the cover ratio, then pension cuts.
Poland	No specific legislation.
Portugal	Employer sponsored private pension sector is small compared to the public pension. The Law does not allow pension cuts. Even recent pension funds law, which was approved two month ago, only refers to pension cuts in case of cross border activity, to respect social or labour law of the host member State. In case of a DC plan, it is possible to elect for fixed yearly annuity while beneficiary still bears investment and longevity risk. In case of insolvency pension funds, pension cuts are possible. Members will be cut first, beneficiaries only if cuts on members are not sufficient.
Romania	Employer sponsored private pensions, the fourth pillar in Romania, are rather new. In any case, the employer does not have discretionary rights over employer sponsored private pensions.
Spain	Employer sponsored private pension sector is small compared to the public pension. No specific legislation.
Slovakia	No specific regulations, but pension cuts are likely allowed if this is included in the contract. Some company plans run by private fund. Pensions are DC and sometimes as a lump sum at the retirement age.
Slovenia	Employer sponsored private pension sector is small compared to the public pension. No specific legislation.
Sweden	Employers can have pensions in book reserves but need to insure this against insolvency. Receiving your entire pension capital in five year is common although not the standard and, in that case, low risk of pension cuts. Solvency II capital requirements for insurance companies. Pension rights have to be unconditional otherwise no tax relief.
United Kingdom	A decrease of pensions requires employee consent since 1995. This does not happen. No legislation that states that if cover ratio is less than a certain %, you have to cut pensions. This implies that pension funds can go bankrupt. In case of DC plans, a decrease of future contributions generally does not affect the accumulated capital.

4.3. Protection of employer sponsored private pensions in case of bankruptcy of a pension administrator

Pension cuts can occur in case of bankruptcy of a pension administrator, which is the financial institution which administers pensions and the related assets. Pension administrators are generally banks, insurance companies or pension funds. In some cases, pensions are protected in case of bankruptcy of pension administrators. The table in this paragraph states which Member States have a protection of employer sponsored private pensions in case of bankruptcy of the pension administrator. In case such protection is available, the table describes the main features of this protection and whether this protection applies for all employees or retired employee only. The input of this table has been provided by the Representatives.

It can be concluded that there are ten Member States, which provide for protection of employer sponsored private pensions in case of bankruptcy of a pension administrator; Belgium, Finland, Germany, Ireland, Italy, Latvia, Lithuania, Slovakia, Slovenia and the United Kingdom.

Member State	**Protection of employer sponsored private pensions in case of bankruptcy of a pension administrator**
Austria	No specific legislation to protect pensions
Belgium	In case of bankruptcy administrator, other insurance companies bear costs and no cuts. If employer does not pay contributions for six months, then letter from insurer to employees.
Bulgaria	In case of bankruptcy of pension fund, it could be possible that you lose pension. No pension guarantee mechanism
Czech Republic	No specific legislation to protect pensions
Croatia	No specific legislation to protect pensions
Cyprus	No specific legislation to protect pensions
Denmark	No specific legislation to protect pensions
Estonia	Employer sponsored private plans are publicly sponsored. As a result, no specific legislation to protect pensions
Finland	In case of private pensions at an insurance company, the employer in principle has to avoid pension cuts in case of insolvency of pension administrator
France	No specific legislation to protect pensions
Germany	Pension guarantee fund in case of bankruptcy, covers everything until a certain maximum pension a year but it does not provide for inflation adjustments
Greece	No specific legislation to protect pensions
Hungary	No. Until the 2010 pension reform, there was a pension protection mechanism in place.
Ireland	No specific lifeboat fund for pension funds. However, there is a procedure whereby on a double insolvency (i.e. employer in liquidation and pension fund insolvent) DB scheme trustees can apply for funding from the Government to address DB scheme insolvency.
Italy	The retired employees have been granted with a special protection against the insolvency of supplementary pension funds by Legislative Decree no. 252 of December 5th, 2005
Latvia	In case of bankruptcy of a pension administrator, private pensions are protected (creditors cannot access in case of insolvency)
Lithuania	In case of bankruptcy of a pension administrator, private pensions are protected (creditors cannot access in case of insolvency)

Member State	Protection of employer sponsored private pensions in case of bankruptcy of a pension administrator
Luxembourg	In case of bankruptcy, a judge may probably cut pensions, but there is no case law
Malta	In case of bankruptcy, pension cuts are possible. No pension guarantee fund.
Netherlands	No specific legislation to protect pensions
Poland	No
Portugal	No specific legislation to protect pensions
Romania	No specific legislation to protect pensions
Spain	No specific legislation to protect pensions
Slovakia	In case of bankruptcy there is a statutory process supervised by the National Bank which aims at protection of pensions. This process includes special administration of the financial institution as well as transfer of the pensions to another financial institution administering pensions.
Slovenia	In accordance with the Pension and Disability Insurance Act full protection of the assets of the pension fund is provided in case of bankruptcy.
Sweden	There is no guarantee system in Sweden.
United Kingdom	In case a pension fund goes bankrupt, the pension protection fund is applicable. This has happened a few hundred times. If the pension protection fund applies, no cuts for retirees, but cuts up to 10%, or more in the case of those with large pensions, of other members possible.

4.4. The most famous cuts in employer sponsored private pensions

As mentioned in paragraph 4.1, there are just four Member States which endured cuts in employer sponsored private pensions more than once a year. However, cuts in employer sponsored private pensions also occur rarely in four other Member States, although less than once a year during the past seven years. This paragraph describes the most famous cuts in employer sponsored private pensions in each of the eight Member States concerning. The information in the table is provided by the Representatives.

Member State	Most famous cut in employer sponsored private pensions
Austria	Cut of approx. 10% for national bank employees. In 2016, the supreme court decided that this was not unconstitutional.
Belgium	n/a
Bulgaria	n/a
Czech Republic	n/a
Croatia	n/a
Cyprus	n/a
Denmark	Pension fund for early childhood educators in 2020, cuts between 5-9% of retirement benefits payable.
Estonia	n/a
Finland	n/a
France	Corem, the voluntary pension plan for teachers and public services; cuts of 30% in 2015.
Germany	The pension insurance fund for the tax advisors in 2019.
Greece	n/a
Hungary	n/a
Ireland	Element six; decrease of pension rights of active and deferred members arose from employer putting DB scheme into wind up without paying contributions to resolve the DB scheme deficit leading to the trustees being sued unsuccessfully by members in the Irish High Court.
Italy	n/a
Latvia	n/a
Lithuania	n/a
Luxembourg	n/a
Malta	n/a
Netherlands	Pension fund PME, pension cuts of 5.1% in 2013.
Poland	n/a
Portugal	Regarding the solidarity tax; pension plan of traffic controllers. Question was whether beneficiaries had to bear the solidarity tax.
Romania	n/a
Spain	n/a
Slovakia	n/a
Slovenia	n/a
Sweden	n/a
United Kingdom	BHS Plc pension scheme in 2016/2017, which was the result of the collapse of the BHS department store chain.

5. Pension reforms and relevant matters regarding pension cuts

Although cuts in public pensions or employer sponsored private pensions did not occur frequently the past seven years, almost all Member States did have some pension reforms or relevant matters regarding pension cuts. The table in this paragraph aims to give some insight in those pension reforms and other relevant matters. It should be noted that this paragraph does not aim to provide a full overview of all pension reforms in the Member States. The information in the table is provided by the Representatives.

Member State	**Pension reforms and relevant matters regarding pension cuts**
Austria	No
Belgium	Increase of state pension is discussed.
Bulgaria	Two years ago, the government decided to abolish plans (previously stipulated in the Social Insurance Code) to increase the current annual accrual rate for the state pension from 1,2% to 1,5%.
Czech Republic	The government has provided citizens with a one-off additional increase in the public pension recently.
Croatia	1999 pension reform; state pension based on 10 best years of service changes into state pension based on all years of service. This was increased gradually and overturned particularly by new legislation later. However, this did not impact the amount of benefits paid to citizens who were already retired. The government encourages to transfer contributions from mandatory funded DC to the public mandatory PAYGO DB.
Cyprus	Average replacement ratio is just 40-50%. Reforms for future pension accrual as from 2013. Retirement age adjusted each five years based on life expectancy.
Denmark	Mandatory participation in ATP, which is a fully funded and employer sponsored DC in addition to standard public pension. In addition to ATP, almost all workers participate in an occupational plan.
Estonia	No
Finland	Earnings related public pension was reformed in 2010 and this included a decrease of pensions related to past years of service. This reform was deemed acceptable from a constitutional point of view.
France	Until 1993, the public pension used to be calculated as a % of the 10 best years of service, but this changed in the 25 best years of service. As from 2010, various reforms related to increase of retirement age. Discussions on reform of the pension system are ongoing
Germany	No
Greece	Pension cuts need to be justified - intergenerational justice is the obvious argument. However, what actually transpired was simply blame avoidance. As a result, many cuts were reversed, and pension deficits are getting worse.
Hungary	The government did increase the retirement age, adjusted the eligibility for pensions for disabled citizens and early retirement pensions.
Ireland	Adjustment of state pension is an actual topic in Ireland. Government agreed to defer increase in State pensionable age from 66 to 67 next year while a Commission on Pensions considers the topic.

Member State	Pension reforms and relevant matters regarding pension cuts
Italy	Due to Law no. 335 of 8 August 1995, Italy started to slowly change its public pension from a DB plan into a DC plan. Law Decree no. 214 of 22 August 2011 increased the standard retirement age and contribution period for private pensions. Law Decree 4/2019 introduced an advanced pension (so-called Quota 100) for employees who reach the age of 62 and a minimum period of contribution equal to 38 years in the three-year period (2019 – 2021).
Latvia	Basic pension was initially cut 2009 by approximately 10% and in some cases even more, but this was reversed by the constitutional court by the end of 2009.
Lithuania	Pension cuts in the public pension in 2009. It was decided that these cuts were unlawful because they were income progressive. The cuts were reversed in the following years.
Luxembourg	No
Malta	No
Netherlands	Sector wide pension cuts expected as per 1 January 2021.
Poland	Plans to transfer remaining state pension to individual accounts. Retirement age has been decreased recently. The past of years, the Polish pension system has benefited from the influx of foreign workers which are paying social security contributions.
Portugal	Public pension of bank employees for the work performed until 2011 is administered by private pension funds. Bank employees claimed social protection until that year is ruled by collective agreement and pension values are outdated compared to salaries and can be subject to a rule of decreasing value.
Romania	First, second and third pillar pensions may not be influenced by the employer. There have been certain discussions and legal initiatives on the differentiated levels of taxation applied on special pensions that belong to the public sector, that could result in certain reductions. In addition, from a general perspective, the pieces of legislation adopted in the latest period regarding the pension system were rather focused on the extension of some rights to certain categories, acquiring seniority, early retirement etc.
Spain	Intentions to cut tax benefits of private pensions, because this favors high income groups only. Despite reforms in public system, actual retirement age has not changed much.
Slovakia	Last year, Slovakia has adopted constitutional amendment on the maximum retirement age of 64 years. Plans to make private pensions mandatory again. Very generous plans for police and military, which might lead to possible discrimination.
Slovenia	The 2013 pension reform did reduce future accumulation of public pensions.
Sweden	The public pension is DC whereas citizens are entitled to a certain capital at retirement age, which among others means lower yearly retirement benefits due to an increased life expectancy.
United Kingdom	No